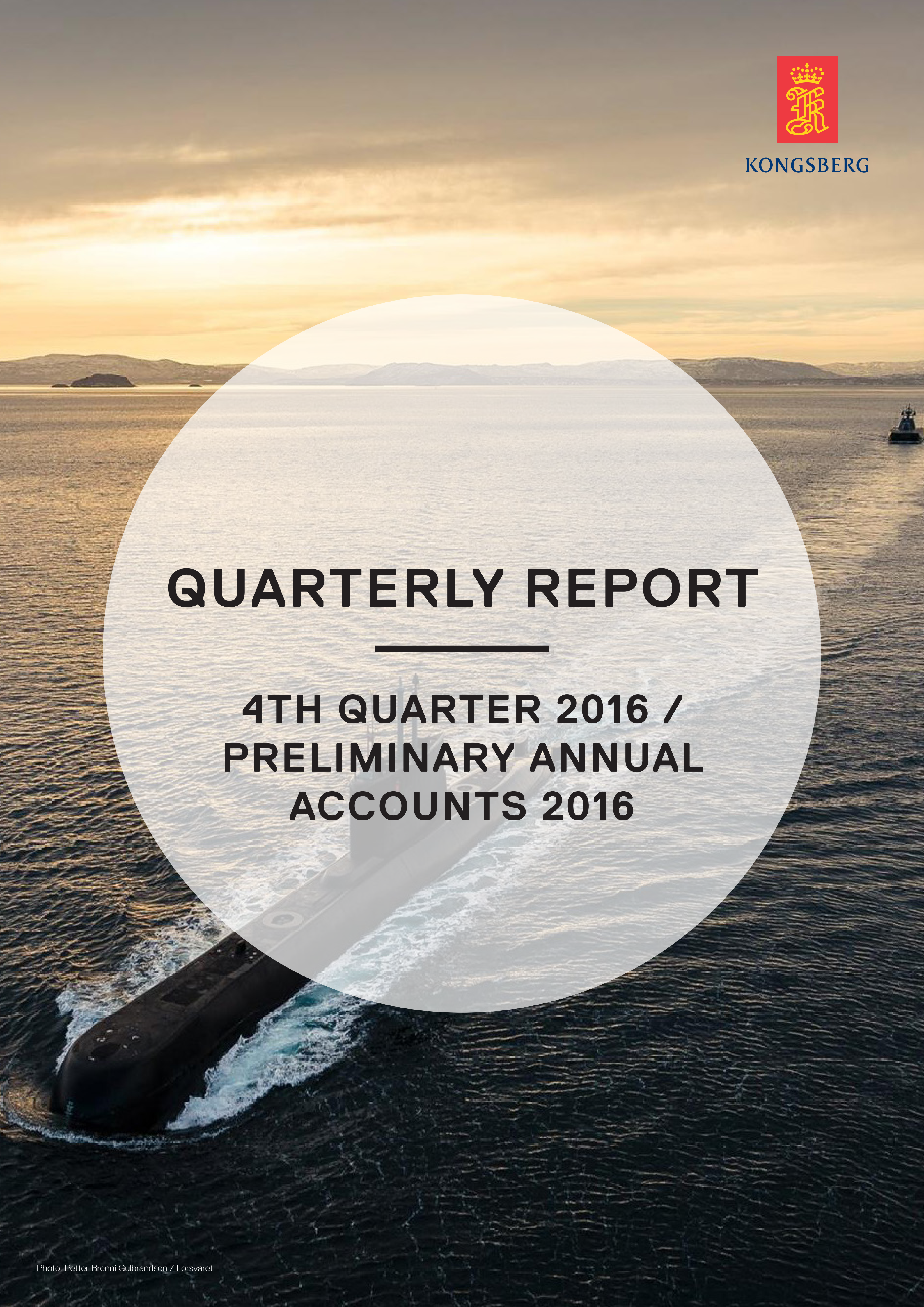


KONGSBERG

QUARTERLY REPORT

4TH QUARTER 2016 / PRELIMINARY ANNUAL ACCOUNTS 2016

Photo: Petter Brenni Gulbrandsen / Forsvaret

KOG

2016 was an eventful year for KONGSBERG. We experienced a negative development within the oil and gas segment. But at the same time, our defence operations and our non-offshore related maritime operations have developed positively. Strategic decisions have been made during the year that will contribute to future growth for KONGSBERG: KDI has been established, KM has adjusted its capacity and organisational model, KPS signed the first contract for MCT-30 and the delivery is well underway, while KDS has made a strategic investment in the Finnish company Patria. Despite the obvious challenges in certain markets, KONGSBERG is well positioned and we see considerable opportunities going forward.

Geir Håøy, President & CEO

HIGHLIGHTS

KOG

Revenues are 13.5 per cent down in Q4, and 7.0 per cent lower for the year as a whole compared to last year. The reduction is primarily due to the Group's oil and offshore related operations.

KM

The challenging market situation continues to affect the activity level and profitability. MNOK 44 in restructuring costs in Q4. Continued strong development within fisheries, research vessels and marine robotics.

KDS

A good finish to a strong year. 10.2 per cent growth in revenues and an EBITDA margin of 22.9 per cent in Q4, including share of net income from Patria. The EBITDA margin without Patria is 17.6 per cent.

KPS

Somewhat lower revenues in Q4 compared to last year. All eight MCT-30 prototypes for Stryker were delivered by the end of the year, with serial production starting in 2017.

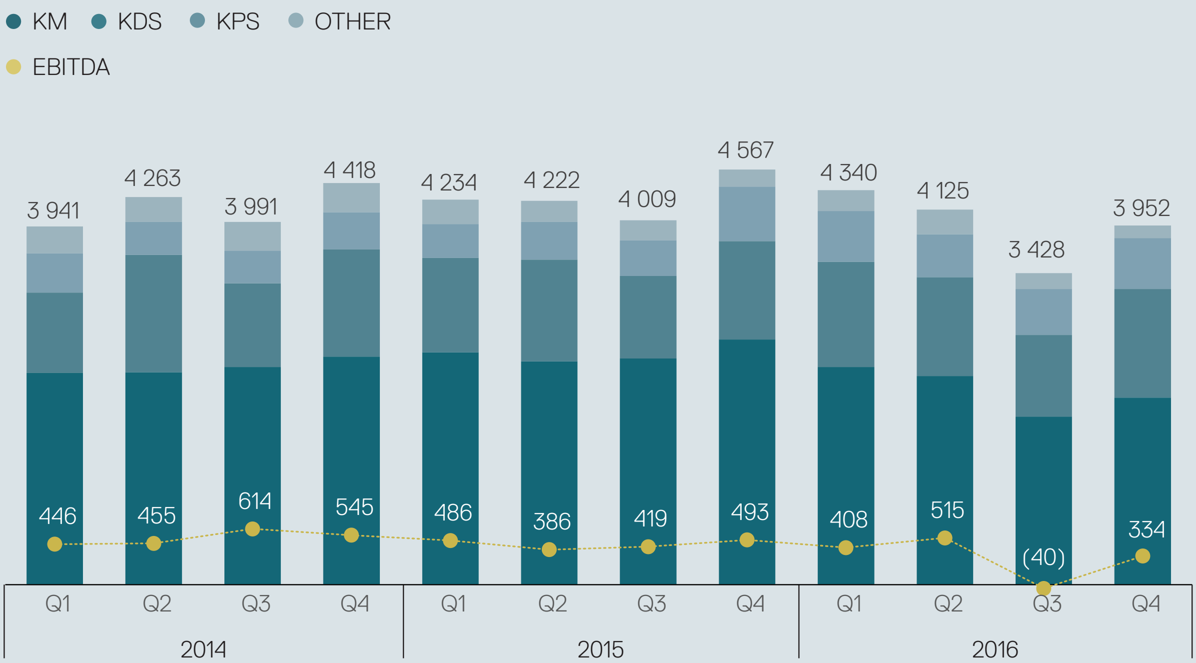
KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Operating revenues	**3 952**	4 567	**15 845**	17 032
EBITDA	**334**	493	**1 217**	1 784
EBITDA (%)	**8.5**	10.8	**7.7**	10.5
EBIT	**188**	44	**692**	944
EBIT (%)	**4.8**	1.0	**4.4**	5.5
Earnings before tax	**269**	24	**729**	944
Earnings after tax	**262**	64	**651**	755
EPS (NOK)	**2.19**	0.53	**5.44**	6.23
New orders	**3 012**	2 887	**14 319**	15 238

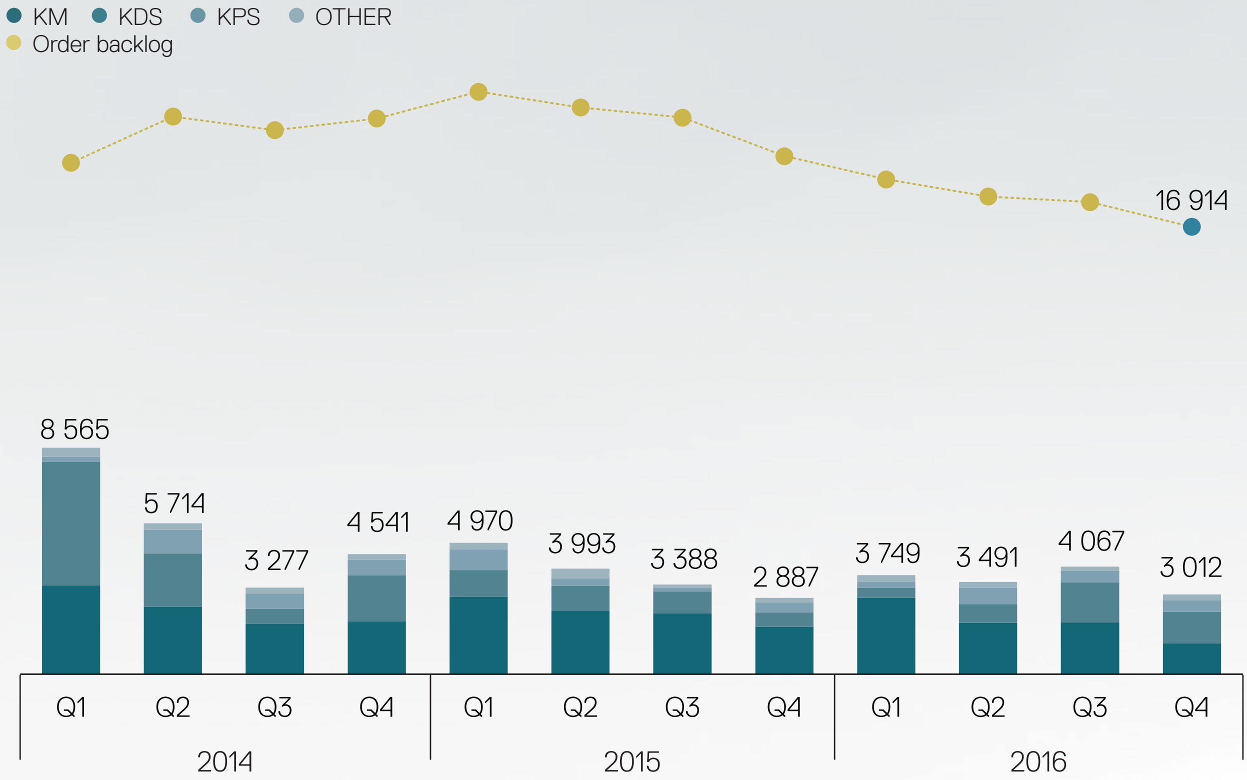
	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Equity ratio (%)	**31.7**	31.3	32.0
Net interest-bearing debt	**2 195**	2 782	(941)
Working capital [1]	**3 468**	3 586	2 749
ROACE (%) [2]	**6.9**	6.1	13.5
Order backlog	**16 914**	17 858	19 597
No. of employees	**7 159**	7 345	7 688

[1] *Current assets less current liabilities*
[2] *12 month rolling EBIT divided by 12 month average equity and interest bearing debt*

OPERATING REVENUES & EBITDA

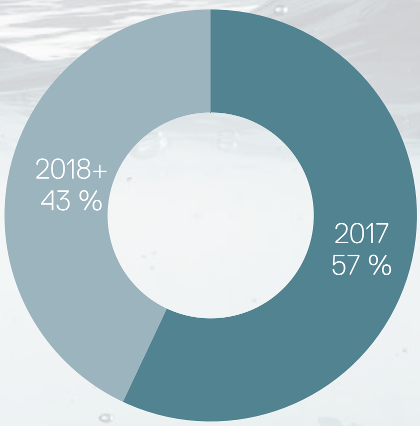


NEW ORDERS & BACKLOG

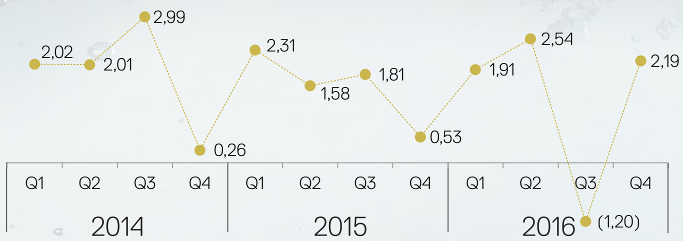


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

Group revenues for Q4 in 2016 are MNOK 3,952, which is 13.5 per cent down compared to the same quarter last year. The reduction is primarily due to the Group's oil and offshore related operations. KM's revenues are down 24 per cent compared to the same quarter last year. KDS has an increase of 10 per cent, while KPS has a reduction of 7 per cent.

The quarterly EBITDA margin is 8.5 per cent. The volume reduction within oil and offshore is about 35 per cent, which has a negative effect on EBITDA. In Q4, restructuring costs of MNOK 44 for KM and MNOK 17 for Other have been expensed. The Group's defence areas have somewhat lower margins compared to the same quarter last year, but this is primarily due to positive effects related to a change to the pension scheme in Q4 of 2015. Share of net income from Patria in Q4 is MNOK 63, which is included in KDS.

The order intake in Q4 was NOK 3,012 million, which gives a book/bill of 0.76. The order backlog at the end of the quarter is MNOK 16,914.

Accumulated revenues in 2016 are MNOK 15,845, which is 7.0 per cent lower than in 2015. The EBITDA margin is 7.7 per cent. The value of inventory, currency hedges and other items in KM have been written down with a total effect of MNOK 354 on EBITDA in 2016. Restructuring costs in KM and Other has had a negative impact of MNOK 171 on EBITDA in 2016. The 2016 EBITDA is affected positively by MNOK 92 related to the sale of shareholding in KBC Advanced Technologies Ltd and customer clarifications in KPS.

In Q4, KONGSBERG sold shares in Kitron ASA at a posted profit of MNOK 104. In Q1, KONGSBERG sold shares in Navico at a posted profit of MNOK 39. Both are included in net financial items.

CASH FLOW

KONGSBERG has a net increase in cash and cash equivalents in Q4 of MNOK 639, and a net increase in 2016 of MNOK 81.

Two bond loans amounting to MNOK 1,000 were issued in this quarter, while MEUR 107 was paid off on the bridge facility established in connection with the purchase of shares in Patria Oyj.

The level of investment in assets and self-financed development was higher in 2016 than in previous years.

In 2015, there were considerable temporary cash effects related to currency hedge roll-overs, where most of the cash flow is expected to recur in 2017 and 2018. In 2016, the cash effect related to currency hedge roll-overs was limited.

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
EBITDA	**334**	493	**1 217**	1 784
Change in net current assets and other operating related items	**404**	(734)	**(408)**	(2 871)
Net cash flow from operating activities	**738**	**(241)**	**809**	**(1 087)**
Net cash flow from investing activities	**(115)**	(159)	**(3 343)**	(499)
Net cash flow used in financing activities	**(15)**	(2)	**2 668**	(1 139)
Effect of changes in exchange rates on cash and cash equivalents	**31**	28	**(53)**	108
Net change in cash and cash equivalents	**639**	**(374)**	**81**	**(2 617)**

BALANCE SHEET

In November 2016, KONGSBERG issued two new unsecured bonds in the Norwegian market with a total issued amount of MNOK 1,000, divided between a MNOK 550 floating rate bond with maturity in March 2020 with a coupon of 3 month Nibor plus 0.90 per cent p.a., and a MNOK 450 seven year fixed rate bond with a coupon of 2.90 per cent p.a.. In the quarter, a repayment of MEUR 107 was carried out in the bridge facility that was established in connection with the shareholding purchase in Patria Oyj.

Interest-bearing debt at the end of Q4 consists mainly of six bond loans amounting to MNOK 3,507 and a remaining MEUR 53 on the bridge facility. In addition, the Group has a syndicated credit facility of NOK 1.5 billion and an overdraft facility of MNOK 500. At the end of Q4, these remained undrawn. See also Note 5. At the end of Q4, the Group has MNOK 1,888 in cash and cash equivalents, and a net interest-bearing debt of MNOK 2,195.

The equity share at the end of Q4 is 31.7 per cent. The equity book value is up by MNOK 598 in 2016. In Q4, the equity book value has increased by MNOK 41.

	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Equity	**6 725**	6 684	6 127
Equity ratio (%)	**31.7**	31.3	32.0
Total assets	**21 196**	21 329	19 121
Working capital	**3 468**	3 586	2 749
Gross interest-bearing liabilities	**4 083**	4 031	866
Cash and cash equivalents	**1 888**	1 249	1 807
Net interest-bearing liabilities	**2 195**	2 782	(941)

DIVIDEND

The Board proposes for the Annual General Meeting on 26 April 2017 a dividend of NOK 3.75 per share for the fiscal year 2016. The dividend represents 50.2 per cent of net income before write-downs of MNOK 244 after tax, and 68.9 per cent of net income.

CURRENCY

KONGSBERG has a currency policy that means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a portion of the expected order intake according to the established policy (cash flow hedges). In this manner, the Group seeks to mitigate the effects of currency fluctuations over a period of up to two years, see Note 5 as well. The Group's policy was changed in 2015 and implies that the expected order intake is hedged on a shorter horizon than under the previous policy. The weakening of the NOK has in general been positive for KONGSBERG, but the effect will become apparent over time as the signed currency contracts mature. At the end of the quarter, the company's portfolio of cash flow hedges represents a fair value of minus MNOK 694, which has a negative impact on the equity book value. The fair value is increased by MNOK 1,029 in 2016.

PRODUCT DEVELOPMENT

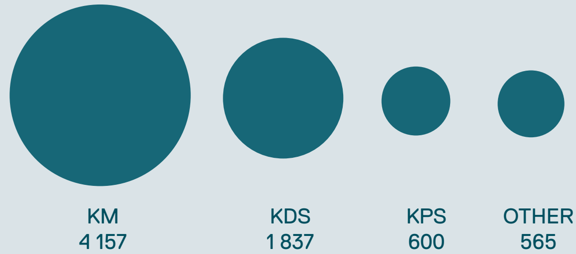
KONGSBERG continuously invests in product development, both through internally financed and customer-funded programmes. The Group has expensed MNOK 282 in Q4 for product development and maintenance. In addition, MNOK 64 has been capitalised. Self-financed product development and maintenance in Q4 amounted to MNOK 346.

Accumulated in 2016, MNOK 1,007 has been expensed for product development and maintenance, while MNOK 262 has been capitalised. The largest capitalised projects are related to development of JSM, weapon stations (including MCT-30) and remotely operated airport towers, all of them within the defence segment. Self-financed product development and maintenance so far this year amounts to MNOK 1,269. See the table in Note 6. Customer-financed development comes in addition, either as part of delivery projects or as specific development assignments. Over time, the total costs of product development and maintenance account for about 10 per cent of the revenues.

HUMAN RESOURCES

KONGSBERG has 7,159 employees at the end of the quarter, where about 36 per cent of them are employed in companies outside of Norway. The number of employees has been reduced by 186 this quarter, bringing the accumulated reduction in 2016 to 529, mainly due to workforce reductions in KM.

NUMBER OF EMPLOYEES BY AREA



OTHER ACTIVITIES

Other activities consist of Kongsberg Digital (KDI) in addition to eliminations and external revenues from the real estate business.

KDI was established in 2016 as an important step in the development of the next generation of digitalised products and services. The businesses in KDI have improved results compared to 2015. The main focuses in 2016 have been the development of Digital Platform, building the organisation and market visibility. In Q4, KONGSBERG purchased an ownership share of 34.19 per cent in eSmart Systems AS at a transaction price of MNOK 100.

Restructuring costs of MNOK 17 have been expensed in Q4, and MNOK 44 accumulated in 2016.

On 19 October 2016, KONGSBERG sold 33,439,153 shares in Kitron ASA at NOK 5.50 per share, with a recorded profit of MNOK 104, which is included in net financial items. After this sale, KONGSBERG owns no shares in the company.

OTHER MATTERS

Eirik Lie appointed President of KDS

On 5 January 2017, Eirik Lie was appointed President of KDS. Lie has been acting in the position since August 2016 and assumed the position immediately. He will also be part of the corporate management team. Lie holds a background as a software engineer and has worked within the KONGSBERG's defence business his entire career. Lie has since 2006 headed the Integrated Defence Systems division. Prior to this, he has, amongst others, experience from working in the USA, as a specialist on air defence systems and as head of development.

KM

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Revenues	**2 059**	2 696	**8 597**	10 197
EBITDA	**69**	232	**280**	1 109
EBITDA (%)	**3.4**	8.6	**3.3**	10.9
New orders	**1 156**	1 798	**7 940**	9 441

	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**5 137**	5 952	6 791
No. of employees	**4 157**	4 345	4 536

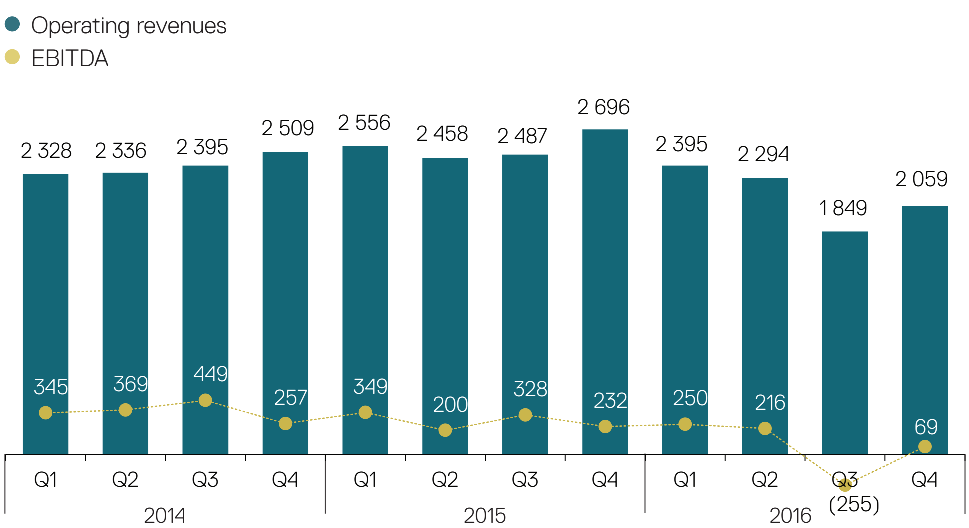
PERFORMANCE

Q4 revenues were MNOK 2,059, which is down 23.6 per cent compared to the same quarter last year. The reduction in revenues are mainly due to the activity level in the offshore related operations, where revenues are down approximately MNOK 500 compared to Q4 in 2015. The revenues from merchant marine vessels are also somewhat reduced compared to the same quarter in 2015.

The quarterly EBITDA is MNOK 69, with an EBITDA margin of 3.4 per cent. MNOK 44 has been expensed in this quarter on restructuring costs. In Q4 of 2015, KM had net positive effects on EBITDA of MNOK 35 related to a change to the pension scheme and restructuring costs.

Accumulated operating revenues in 2016 are MNOK 8,597, which is down 15.7 per cent compared to last year. The EBITDA margin is 3.3 per cent and is affected negatively by the write-down of inventory, currency hedges and other items, including receivables, by MNOK 354 in addition to MNOK 127 in restructuring costs. 2015 and 2016 has seen a tendency towards more sales of integrated solutions within offshore, and this has had a negative effect on the margin. Subsea has also been affected by the downfall in the

OPERATING REVENUES & EBITDA



oil and gas market, but has a high activity level within other segments. This applies to fisheries and marine robotics in particular, with a growth of 30 per cent in 2016 and good profitability.

Considerable cost-cutting measures were carried out in 2016 in KM to adjust the cost base to the weak oil and gas market. At the end of 2016, the number of employees and contracted labour is reduced by more than 800 since Q2 in 2015. Some of the core markets are very challenging, but considerable investments are still being made to develop new priority products and solutions in both existing and new markets. As of 1 January 2017, a new function based organisation took effect, bringing together and focusing product development and product ownership, and sorting projects independently of market into simpler product and system deliveries, larger and more complicated products and after market activities. This will contribute to better priority of development resources, fewer parallel products and systems compared to the previous market based organisation. Subsea remains more or less the same.

MARKET AND ORDERS

The order intake in Q4 was MNOK 1,156. The order intake is higher in Q3 for both Subsea and Merchant, but lower than in Q4 of 2015. The order intake remains low for traditional offshore activities.

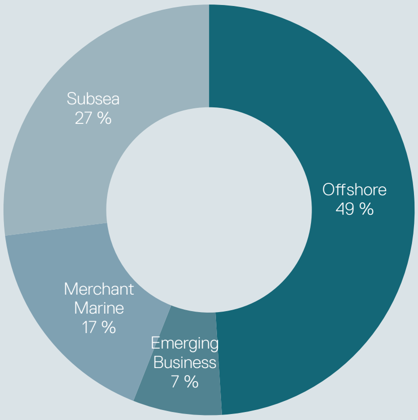
The total order intake in 2016 was MNOK 7,940. The order volume in the merchant marine and subsea segment has been relatively good, while the order intake within traditional offshore has, in line with the general offshore market, been weak.

Expanded delivery scopes for individual vessels has been an important focus area for KM in recent years. The establishment of Kongsberg Maritime Engineering in 2008 and the Triangel concept, where KM has launched its own energy solution, are two examples. In 2016, this resulted in the order of three RoPax (roll-on/roll-off passenger) vessels and two semi-sub heavy-lift/accommodation vessels, with a total contractual value of more than MNOK 800. These are considerably larger deliveries for KM than the normal 'full picture' projects. In addition to the traditional KM systems, such as navigation and automation, the contracts include delivery and integration of electrical and telecommunications systems.

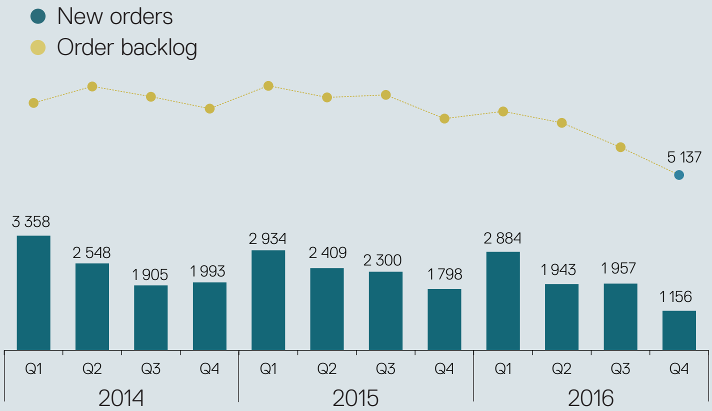
KM received cancellations of MNOK 38 in Q4 and MNOK 217 accumulated in 2016, which is on par with 2015. As a result of many delayed projects and uncertainties surrounding parts of the order backlog for offshore market deliveries, KM wrote down the order backlog by MNOK 660 in Q3 of 2016. The remaining order backlog for traditional offshore units, such as drill and supply, is now 70 per cent lower than the highest recorded order backlog for this segment.

KM's after-market revenues are not included in the business area's order backlog. KM has a well-established aftermarket network that services more than 18,000 vessels fitted with KM-equipment. In 2016, the downturn in the oil and gas market also affected this segment, but the development seems to have stabilised somewhat in the second half of the year. In 2016, aftermarket activities represented about one third of KM's revenues.

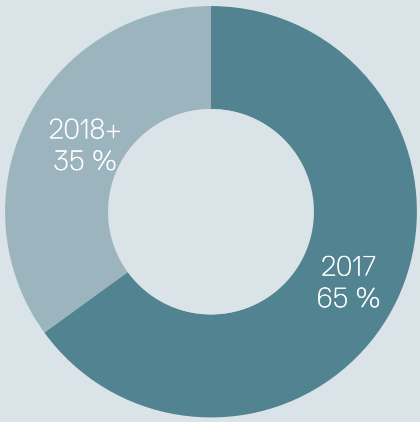
OPERATING REVENUES
YTD by segment



ORDERS



ORDER BACKLOG
Breakdown by delivery dates



KDS

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Revenues	**1 194**	1 083	**4 336**	4 149
EBITDA	**273**	283	**801**	695
EBITDA (%)	**22.9**	26.1	**18.5**	16.8
New orders	**1 206**	542	**3 819**	3 310

	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**8 076**	8 124	8 622
No. of employees	**1 837**	1 823	1 729

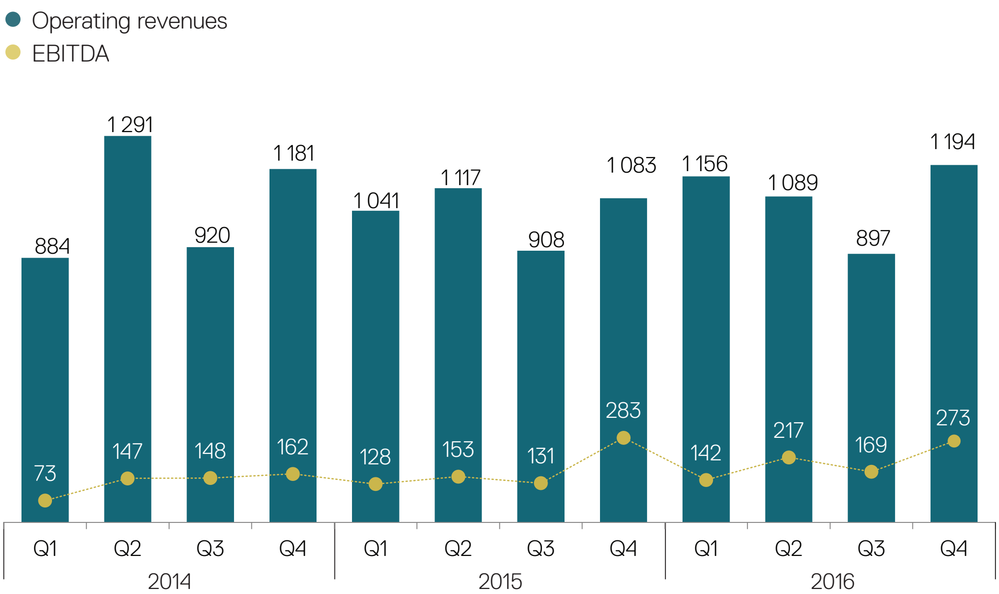
PERFORMANCE

Q4 revenues were MNOK 1,194, which is up 10.2 per cent compared to the same quarter last year. EBITDA is MNOK 273, with an EBITDA margin of 22.9 per cent, and includes an MNOK 63 share of net income from Patria. The EBITDA margin without Patria is 17.6 per cent. In Q4 of 2015, KDS recorded a positive effect on EBITDA of MNOK 59 related to a change to the pension scheme.

Accumulated revenues in 2016 are MNOK 4,336, which is up 4.5 per cent from 2015. EBITDA is MNOK 801, including an MNOK 143 share of net income from Patria, with an EBITDA margin of 18.5 per cent. The EBITDA margin without Patria is 15.2 per cent.

KDS has over time strengthened the EBITDA margin. This is due to combination of many factors, including volume effects related to production of aircraft components, a higher share of projects being in the delivery phase versus the initial phase and general efficiency improvements across the organisation.

OPERATING REVENUES & EBITDA



The large delivery projects are on schedule. The NASAMS project to Finland, which was signed in 2009, was completed in Q2 of 2016.

MARKET AND ORDERS

The order intake in Q4 was MNOK 1,206. The two biggest single contracts for the quarter were for the upgrading of the Norwegian Navy's ULA class submarines and Fritjof Nansen class frigates, with a value of MNOK 220 and MNOK 313 respectively.

KDS signed an important agreement with Leonardo Helicopters (formerly AgustaWestland) for maintenance, repair and overhaul of dynamic components, such as various gearboxes, on helicopter models NH-90 and AW101. The agreement is expected to have a value of more than MEUR 300 over the next 30 years. It includes a fleet of more than 100 helicopters in Norway, Sweden, Finland, Denmark and Canada. KDS has performed maintenance of similar components on Lynx helicopters, which until 2014 were used by the Norwegian Coast Guard, and Sea King search and rescue helicopters for more than 30 years. The activity within this area is being expanded considerably as a result of the new agreement. The agreement did not lead to any order intake in the quarter.

In Q4, successful testing of Joint Strike Missile (JSM) was carried out in the US. The missile was fired from an F-16, and the test demonstrated secure separation from the aircraft and highly advanced flying characteristics. The qualification programme for JSM is scheduled for completion in 2018.

The accumulated order intake in 2016 is MNOK 3,819. The order intake in 2016 has been particularly good within communications, naval and aerospace related solutions. Other KDS areas have a low order intake, which was expected. Prospects are good for contracts within several core areas in 2017.

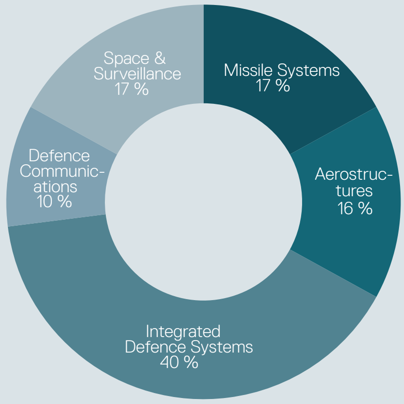
KDS has a product portfolio that is well positioned to meet future needs and expected market development. There is significant international interest in KONGSBERG's missiles and air defence systems, and high market activity in relation to several large programmes both in Europe, USA and Asia. KONGSBERG is the largest supplier of equipment and services for the aerospace industry in the Nordic region, and the activity in this segment is growing.

The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in order intake are regarded to be normal. Decisions about defence investments are often time consuming. The customers of large defence systems are the defence authorities in the countries in question. These customers consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment.

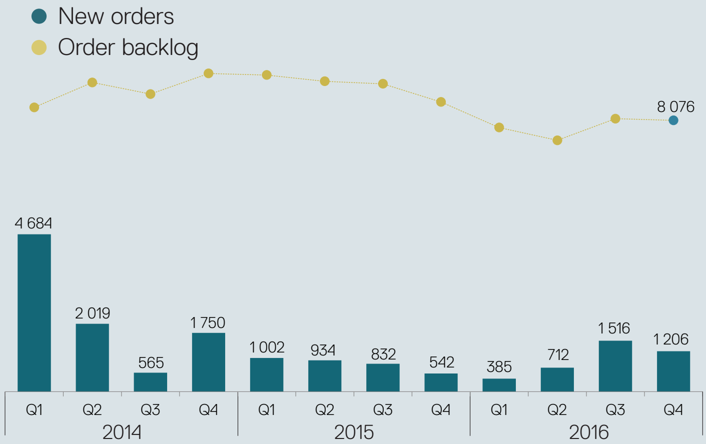
Photo: Forsvaret

OPERATING REVENUES

YTD by segment

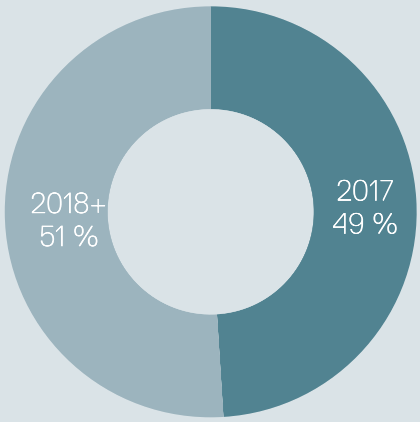


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KPS

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Revenues	**559**	600	**2 096**	1 777
EBITDA	**23**	62	**126**	227
EBITDA (%)	**4.1**	10.3	**6.0**	12.8
New orders	**441**	381	**1 705**	1 576

	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**2 912**	3 036	3 325
No. of employees	**600**	605	663

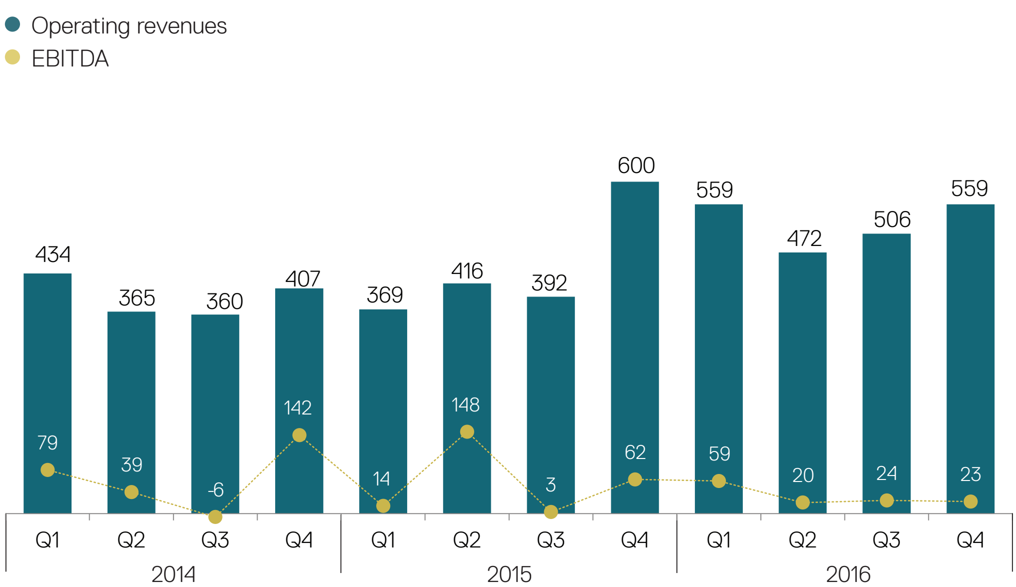
PERFORMANCE

KPS revenues for Q4 in 2016 are MNOK 559, which is 6.8 per cent down compared to the same quarter last year. EBITDA is MNOK 23, with an EBITDA margin of 4.1 per cent. In Q4 of 2015, KPS had positive effects on EBITDA of MNOK 27 related to a change to the pension scheme and release of provisions.

Almost 200 new weapon stations were delivered to ten different customers in this quarter. In total more than 800 new weapon stations were delivered in 2016, almost twice as many as in 2015. In addition, eight MCT-30 weapon stations were delivered, seven of them in Q4, for the US Stryker programme. In 2017, the delivery rate for MCT-30 will be stepped up further from Q4.

Revenues in 2016 are MNOK 2,096, which is up 18.0 per cent from 2015. EBITDA is MNOK 126, with an EBITDA margin of 6.0 per cent. The 2016 EBITDA is affected positively by MNOK 38 as a result of customer clarifications. EBITDA in 2015 was MNOK 227, which includes positive effects related to release of provisions and a change to the pension scheme amounting to MNOK 221.

OPERATING REVENUES & EBITDA



The low underlying EBITDA level is a result of planned high market and development activity, especially in connection with the medium calibre project.

MARKET AND ORDERS

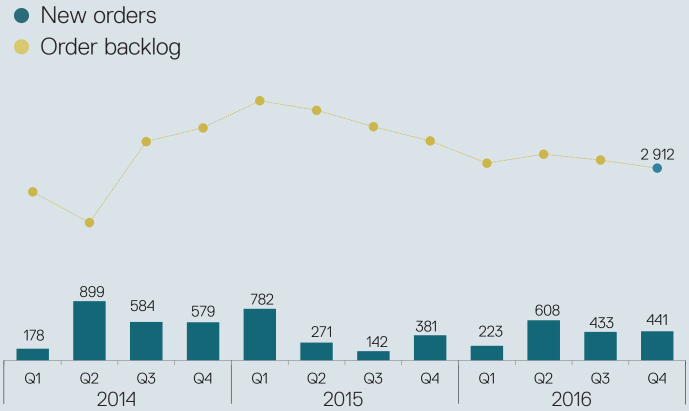
The order intake in Q4 was MNOK 441. The biggest single contract was for sale of the low profile version of PROTECTOR Remote Weapon Station through the CROWS III programme. KPS signed a contract with the French Armed Forces for a three year continuation of support services, with a three year extension option.

KPS has signed new orders for a value of MNOK 1,705 in 2016. Approximately MNOK 600 of this is associated with MCT-30 (medium calibre turret) for the US Army's Stryker vehicles. The order intake on this programme has been in the form of many smaller contracts. The first eight test systems were assembled and delivered from Norway to the USA in 2016. Assembly has now been moved to KONGSBERG's facilities in Johnstown, Pennsylvania in the USA, from where the remaining deliveries of the programme will be handled. The last system under the current contract is planned delivered to the customer in Q2 of 2018. KPS has an MCT-30 order backlog of around MNOK 500 at the end of 2016. In 2016, serial deliveries of the low profile version of PROTECTOR RWS to the US Army started.

KPS has an order backlog of MNOK 2,912 at the end of 2016, where about 60 per cent is for deliveries in 2017.

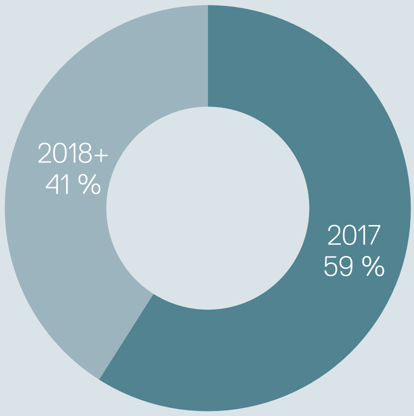
KPS has during the last 15 years grown to become the world's leading supplier of remotely controlled weapon stations. More than 18,500 systems have been sold to customers in 18 countries. The US Army is both directly and via vehicle suppliers the largest client. In 2017, work will carry on to maintain KPS' position in the US to ensure continued contracts on CROWS also beyond 2017. At the same time there will be a continued focus on growth in the after market and on establishing new positions in the market for RWS outside of the USA.

ORDERS



ORDER BACKLOG

Breakdown by delivery dates



PARTIALLY OWNED COMPANIES

PATRIA

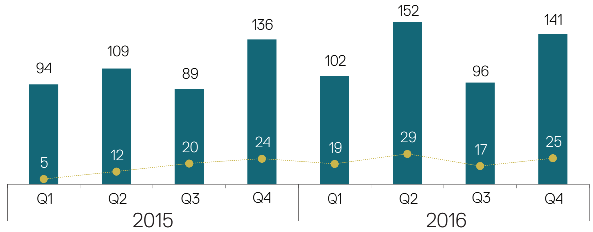
Patria is Finland's premier provider of technology solutions and life-cycle support services within defence, security and aviation. The company has an international organization with some 2,800 employees, and holds 50 per cent of the shares in Nammo. KONGSBERG holds 49,9 per cent of the shares in Patria.

HIGHLIGHTS

- 4 per cent rise in revenues compared to Q4 in 2015
- Good profitability in 2016, especially in the vehicle segment and Millog
- The EBITDA margin in 2016 was 4.1 percentage points higher than in 2015
- Earnings after tax for 2016 are improved by 63% compared to 2015

OPERATING REVENUES & EBITDA

MEUR



KEY FIGURES

MEUR

	1.10. - 31.12.		1.1. - 31.12.	
	2016	2015	**2016**	2015
Operating revenues	**141**	136	**490**	428
EBITDA	**25**	24	**90**	61
EBITDA (%)	**17**	18	**18**	14
Net income after tax	**20**	18	**63**	38
Order income	**77**	122	**269**	299
Order backlog	**858**	1 056	**858**	1 056

BRIDGE BETWEEN EBITDA AND KONGSBERG'S SHARE OF NET INCOME AFTER TAX

	1.10. - 31.12.		24.5. - 31.12.	
Milliones	EUR	NOK	EUR	NOK
EBITDA	25		60	
Financial items, taxes, depreciations and amortisation	(4)		(16)	
Net income after tax	20		44	
KONGSBERG's share of net income in the period (49.9 %) [1)]		80		183
Amortisation of excess values after tax		(17)		(40)
Share of net income recognised in KDS for the period		**63**		**143**

[1)] *Share of Patria's net income after tax adjusted for minority interests*

OUTLOOK

Kongsberg Maritime has seen a considerable decrease in contracting of deliveries for new offshore vessels in 2016, and the activity has dropped significantly in this segment. The order intake within the subsea segment and for more complex EIT/EPC deliveries was good in 2016, and a positive development within these areas is also expected in 2017. The underlying level of earnings depends on project composition, market conditions and implementation of the comprehensive restructuring initiated in the business area. Further cost base adjustments are considered continuously according to the market situation. Lower revenues are expected in 2017 compared to 2016, and there is still uncertainty in parts of the order backlog.

Kongsberg Defence Systems is well positioned in its niches in a generally stronger defence market. This is expected to give more contract opportunities in the years to come. The order coverage for 2017 is very good at the start of the year, which provides the basis for somewhat increased revenues in 2017.

Kongsberg Protech Systems has a strong market position with its product portfolio. Investment decisions in the marked for weapon stations have in general been more time consuming in recent years. The order coverage for 2017 is somewhat lower than in 2016 at the start of the year. The long-term potential for KPS remains the same, but no growth is expected in 2017.

As a part of the Group's strategy for developing the next generation of digitalized products and services, Kongsberg Digital was established in 2016. The main focus for KDI in 2017 is to continue building and developing its operations, including work on the Digital Platform. No significant profit contribution is expected from KDI in 2017.

Kongsberg, 7 February 2017

The Board in Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KOG	2016					2015					2014				
MNOK	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**15 845**	3 952	3 428	4 125	4 340	**17 032**	4 567	4 009	4 222	4 234	**16 613**	4 418	3 991	4 263	3 941
EBITDA	**1 217**	334	(40)	515	408	**1 784**	493	419	386	486	**2 060**	545	614	455	446
EBITDA %	**7.7**	8.5	(1.2)	12.5	9.4	**10.5**	10.8	10.5	9.1	11.5	**12.4**	12.3	15.4	10.7	11.3
New orders	**14 319**	3 012	4 067	3 491	3 749	**15 238**	2 887	3 388	3 993	4 970	**22 097**	4 541	3 277	5 714	8 565
Order backlog	**16 914**	16 914	17 858	18 069	18 718	**19 597**	19 597	21 059	21 439	22 033	**21 020**	21 020	20 580	21 096	19 344
EBITA	**835**	220	(125)	422	318	**1 405**	387	320	299	399	**1 718**	453	526	373	366
EBITA %	**5.3**	5.6	(3.6)	10.2	7.3	**8.2**	8.5	8.0	7.1	9.4	**10.3**	10.3	13.2	8.7	9.3

KM	2016					2015					2014				
MNOK	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**8 597**	2 059	1 849	2 294	2 395	**10 197**	2 696	2 487	2 458	2 556	**9 568**	2 509	2 395	2 336	2 328
EBITDA	**280**	69	(255)	216	250	**1 109**	232	328	200	349	**1 420**	257	449	369	345
EBITDA %	**3.3**	3.4	(13.8)	9.4	10.4	**10.9**	8.6	13.2	8.1	13.7	**14.8**	10.2	18.7	15.8	14.8
New orders	**7 940**	1 156	1 957	1 943	2 884	**9 441**	1 798	2 300	2 409	2 934	**9 804**	1 993	1 905	2 548	3 358
Order backlog	**5 137**	5 137	5 952	6 666	7 002	**6 791**	6 791	7 485	7 412	7 751	**7 081**	7 081	7 433	7 732	7 250
EBITA	**95**	17	(293)	170	201	**909**	178	271	155	305	**1 249**	211	405	328	305
EBITA %	**1.1**	0.8	(15.8)	7.4	8.4	**8.9**	6.6	10.9	6.3	11.9	**13.1**	8.4	16.9	14.0	13.1

KDS	2016					2015					2014				
MNOK	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**4 336**	1 194	897	1 089	1 156	**4 149**	1 083	908	1 117	1 041	**4 276**	1 181	920	1 291	884
EBITDA	**801**	273	169	217	142	**695**	283	131	153	128	**530**	162	148	147	73
EBITDA %	**18.5**	22.9	18.8	19.9	12.3	**16.8**	26.1	14.4	13.7	12.3	**12.4**	13.7	16.1	11.4	8.3
New orders	**3 819**	1 206	1 516	712	385	**3 310**	542	832	934	1 002	**9 018**	1 750	565	2 019	4 684
Order backlog	**8 076**	8 076	8 124	7 481	7 861	**8 622**	8 622	9 163	9 238	9 425	**9 471**	9 471	8 856	9 203	8 460
EBITA	**669**	239	135	184	111	**590**	260	101	126	103	**435**	138	124	123	50
EBITA %	**15.4**	20.0	15.1	16.9	9.6	**14.2**	24.0	11.1	11.3	9.9	**10.2**	11.7	13.5	9.5	5.7

KPS	2016					2015					2014				
MNOK	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**2 096**	559	506	472	559	**1 777**	600	392	416	369	**1 566**	407	360	365	434
EBITDA	**126**	23	24	20	59	**227**	62	3	148	14	**254**	142	(6)	39	79
EBITDA %	**6.0**	4.1	4.7	4.2	10.6	**12.8**	10.3	0.8	35.6	3.8	**16.2**	34.9	(1.7)	10.7	18.2
New orders	**1 705**	441	433	608	223	**1 576**	381	142	271	782	**2 240**	579	584	899	178
Order backlog	**2 912**	2 912	3 036	3 124	2 989	**3 325**	3 325	3 541	3 790	3 935	**3 523**	3 523	3 315	3 088	2 555
EBITA	**89**	13	16	10	50	**177**	50	(9)	135	1	**201**	128	(19)	27	65
EBITA %	**4.2**	2.3	3.2	2.1	8.9	**10.0**	8.3	(2.3)	32.5	0.3	**12.8**	31.4	(5.3)	7.4	15.0

CONDENSED INCOME STATEMENT

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2016**	2015	**2016**	2015
Revenues	3, 5	**3 952**	4 567	**15 845**	17 032
Operating expenses	6	**(3 701)**	(4 093)	**(14 858)**	(15 335)
Share of net income from joint arrangements and associated companies	4	**83**	19	**230**	87
EBITDA	3, 10	**334**	**493**	**1 217**	**1 784**
Depreciation		**(95)**	(95)	**(360)**	(362)
Impairment of property, plant and equipment		**(19)**	(11)	**(22)**	(17)
EBITA	3, 10	**220**	**387**	**835**	**1 405**
Amortisation		**(32)**	(43)	**(143)**	(161)
Impairment of intangible assets		**-**	(300)	**-**	(300)
EBIT	10	**188**	**44**	**692**	**944**
Net financial items	5	**81**	(20)	**37**	-
Earnings before tax (EBT)		**269**	**24**	**729**	**944**
Income tax expence	9	**(7)**	40	**(78)**	(189)
Earnings after tax		**262**	**64**	**651**	**755**
Attributable to:					
Equity holders of the parent		**264**	63	**653**	747
Non-controlling interests		**(2)**	1	**(2)**	8
Earnings per share (EPS)/EPS diluted in NOK		**2.19**	0.53	**5.44**	6.23

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2016**	2015	**2016**	2015
Earnings after tax		**262**	64	**651**	755
Comprehensive income for the period:					
Items to be reclassified to profit or loss in subsequent period:					
Change in fair value, financial instruments:					
- Available-for-sale shares	5	**(132)**	55	**(104)**	101
- Cashflow hedges (currency futures and interest rate swaps)	5	**(227)**	(155)	**1 063**	(425)
Tax effect cash flow hedges (currency futures and interest rate swaps)		**50**	7	**(273)**	80
Translation differences and hedge of net investments (currency)		**49**	77	**(266)**	268
Total items to be reclassified to profit or loss in subsequent periods		**(260)**	**(16)**	**420**	**24**
Items not to be reclassified to profit or loss:					
Actuarial gains/losses pensions		**20**	254	**20**	254
Income tax on items remaining in equity		**-**	(69)	**(5)**	(69)
Total items not to be reclassified to profit or loss		**20**	**185**	**15**	**185**
Comprehensive income for the period		**22**	**233**	**1 086**	**964**

CONDENSED STATEMENT OF FINANCIAL STATUS

		31.12.	30.9.	31.12.
MNOK	Note	**2016**	2016	2015
Property, plant and equipment		**2 723**	2 678	2 542
Intangible assets	6	**2 746**	2 687	2 655
Shares in joint arrangements and associated companies	4	**3 174**	3 008	366
Other non-current assets	5	**264**	464	340
Total non-current assets		**8 907**	**8 837**	**5 903**
Inventories		**4 666**	4 660	4 136
Trade receivables		**2 436**	2 305	3 038
Construction contracts in progress, asset		**2 049**	2 414	2 935
Other current assets		**1 250**	1 864	1 302
Cash and cash equivalents		**1 888**	1 249	1 807
Total current assets		**12 289**	**12 492**	**13 218**
Total assets		**21 196**	**21 329**	**19 121**
Issued capital		**982**	982	982
Retained earnings		**6 218**	5 891	6 298
Fair value of financial instruments		**(509)**	(222)	(1 194)
Non-controlling interests		**34**	33	41
Total equity		**6 725**	**6 684**	**6 127**
Long-term interest-bearing loans	5	**3 820**	3 773	866
Other non-current liabilities and provisions	2	**1 830**	1 966	1 659
Total non-current liabilities and provisions		**5 650**	**5 739**	**2 525**
Construction contracts in progress, liabilities		**2 847**	2 934	2 736
Short-term interest-bearing loans	5	**263**	258	-
Other current liabilities and provisions	2	**5 711**	5 714	7 733
Total current liabilities and provisions		**8 821**	**8 906**	**10 469**
Total equity, liabilities and provisions		**21 196**	**21 329**	**19 121**
Equity ratio (%)		**31.7**	31.3	32.0
Net interest-bearing liabilities		**2 195**	2 782	(941)

CONDENSED STATEMENT OF CHANGES IN EQUITY

	31.12.	30.9.	31.12.
MNOK	**2016**	2016	2015
Equity opening balance	**6 127**	6 127	6 282
Comprehensive income accumulated	**1 086**	1 069	964
Dividends	**(510)**	(510)	(1 110)
Treasury shares	**5**	5	8
Reversal of previous year's impairment	**22**	-	-
Dividends non-controlling interests	**(3)**	(3)	(2)
Change in non-controlling interests	**(2)**	(4)	(15)
Equity, closing balance	**6 725**	**6 684**	**6 127**

CONDENSED CASH FLOW STATEMENT

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Earnings before interest, tax, depreciation and amortisation	**334**	493	**1 217**	1 784
Change in net current assets and other operating related items	**404**	(734)	**(408)**	(2 871)
Net cash flow from operating activities	**738**	**(241)**	**809**	**(1 087)**
Acquisition/disposal of property, plant and equipment	**(132)**	(115)	**(613)**	(349)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	**(100)**	-	**(2 786)**	(44)
Net payment for the acquisition/disposal of available-for-sale-shares	**178**	-	**317**	-
Other investing activities including capitalised internally financed development	**(61)**	(44)	**(261)**	(106)
Net cash flow from investing activities	**(115)**	**(159)**	**(3 343)**	**(499)**
Net new loans raised	**4**	-	**3 252**	-
Net interests received (paid)	**(19)**	(2)	**(60)**	3
Net payments for the acquisition/disposal of treasury shares	**-**	-	**(12)**	(12)
Transactions with non-controlling interests	**-**	-	**(3)**	(23)
Dividends paid to equity holders of the parent	**-**	-	**(510)**	(1 110)
- of which dividends from treasury shares	**-**	-	**1**	3
Net cash flow from financing activities	**(15)**	**(2)**	**2 668**	**(1 139)**
Effect of changes in exchange rates on cash and cash equivalents	**31**	28	**(53)**	108
Net change in cash and cash equivalents	**639**	**(374)**	**81**	**(2 617)**
Cash and cash equivalents opening balance	**1 249**	**2 181**	**1 807**	**4 424**
Cash and cash equivalents closing balance	**1 888**	**1 807**	**1 888**	**1 807**

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

The consolidated interim condensed financial statements for Q4 (interim financial statements) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

The interim financial statements have been prepared in accordance with IAS 34 (Interim reporting), stock regulations and the additional requirements of the Securities Trading Act. The interim financial statements do not cover all information that is required in a full financial statement, and it should be read in relation to the consolidated financial statements for 2015 and the interim financial statements for Q1-Q3 2016. The consolidated financial statements for 2015 were prepared in accordance with the Norwegian Accounting Act and international financial reporting standards (IFRS) that have been determined by the EU. In the interim financial statements, KONGSBERG has applied the same accounting principles that were described in the consolidated financial statements for 2015.

The consolidated financial statements for 2015 are available in electronic format on www.kongsberg.com.

The interim financial statements have not been audited.

NOTE 2 | ESTIMATES

Preparing the interim financial statements involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The most important assessments in using the Group's accounting principles, and the biggest sources of uncertainty, are the same as when the consolidated financial statements for 2015 were prepared.

NOTE 3 | SEGMENT INFORMATION

KDI was formally established on 1 July 2016 and is reported under 'Other activities'. As of Q3, some business areas have been moved between KM and 'Other activities' as a result of the establishment of KDI. Comparison figures have been revised.

	OPERATING REVENUES				EBITDA				EBITA			
	1.10. - 31.12.		1.1. - 31.12.		1.10. - 31.12.		1.1. - 31.12.		1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
KM	**2 059**	2 696	**8 597**	10 197	**69**	232	**280**	1 109	**17**	178	**95**	909
KDS	**1 194**	1 083	**4 336**	4 149	**273**	283	**801**	695	**239**	260	**669**	590
KPS	**559**	600	**2 096**	1 777	**23**	62	**126**	227	**13**	50	**89**	177
Other	**140**	188	**816**	909	**(31)**	(84)	**10**	(247)	**(49)**	(101)	**(18)**	(271)
GROUP	**3 952**	**4 567**	**15 845**	**17 032**	**334**	**493**	**1 217**	**1 784**	**220**	**387**	**835**	**1 405**

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

In Q4, the Group purchased an ownership share of 34.19 per cent in eSmart Systems AS at a transaction price of MNOK 100, which is included in Other in the table below.

Specification of movement in the balance sheet 'Shares in joint arrangements and associated companies' 1 January – 31 December:

MNOK	Owner-ship	Carrying amount 1.1.16	Additions in the period	Dividends received in the period	Share of net income in the period [1]	Comprehensive income in the period	Carrying ammount 31.12.16
Patria Oyj	49,9 %	-	2 664	-	143	(118)	2 689
Kongsberg Satellite Services AS	50,0 %	317	-	(60)	75	-	332
Other		49	100	(8)	12	-	153
Total		**366**	**2 764**	**(68)**	**230**	**(118)**	**3 174**

[1] *The profit/loss from companies that are independent taxable entities, such as private companies, is included after amortisation and tax.*

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

In Q4, KONGSBERG issued two new unsecured bonds in the Norwegian market with a total issued amount of MNOK 1,000, divided between a MNOK 550 floating rate bond with maturity in March 2020 with a coupon of 3 month Nibor plus 0.90 per cent p.a., and a MNOK 450 seven year fixed rate bond with a coupon of 2.90 per cent p.a.. In the quarter, a repayment of MEUR 107 was carried out in the bridge facility that was established in connection with the shareholding purchase in Patria Oyj.

Long-term loans:

			31.12.2016		30.9.2016		31.12.2015	
Amount in MNOK	*Due date*	*Nominal interest rate*	*Nominal amount*	*Carrying amount*	*Nominal amount*	*Carrying amount*	*Nominal amount*	*Carrying amount*
Bond issue KOG06 - floating interest rate [2]	11.9.17	2,94 %	-	-	-	-	500	500
Bond issue KOG07 - fixed interest rate	11.9.19	4,80 %	250	250	250	250	250	250
Bond issue KOG08 - floating interest rate	2.6.21	2,39 %	1 000	1 000	1 000	1 000	-	-
Bond issue KOG09 - fixed interest rate	2.6.26	3,20 %	1 000	1 000	1 000	1 000	-	-
Bond issue KOG10 - floating interest rate	5.3.20	2,04 %	550	550	-	-	-	-
Bond issue KOG11 - fixed interest rate	5.12.23	2,90 %	450	450	-	-	-	-
Bridge facility EUR - floating interest rate [3]	24.2.19	1,95 %	482	482	1 435	1 435	-	-
Other long-term loans [4]			75	75	76	76	97	97
Total long-term loans [1]			**3 807**	**3 807**	**3 761**	**3 761**	**847**	**847**
Credit facility (unused borrowing limit)	7.4.19		1 500		1 500		1 500	
Overdraft facility (unused)			500		500		-	

[1] *The difference between the carrying amount in the statement of financial status and amounts in this note is ascribable to the fair value of the interest swap agreement related to bond issue KOG07, which had a value of MNOK 13 at 31 December 2016, MNOK 12 at 30 September 2016 and MNOK 19 at 31 December 2015.*
[2] *Bond issue KOG06, carrying amount MNOK 257, is due on 11 September 2017 and is reclassified to short-term liabilities as of 30 September 2016.*
[3] *The bridge facility was MEUR 160 on issue in May 2016. As of 31 December 2016, outstanding amount is MEUR 53.*
[4] *"Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.*

Other non-current assets

In Q4, the Group sold its shareholding in Kitron ASA at a profit of MNOK 104. The quarterly profit is reclassified from other comprehensive income to profit and loss, and is included in net financial items. In Q2, the shares in KBC Advanced Technologies Ltd were sold at a profit of MNOK 54, which was reclassified from other comprehensive income to profit and loss. This profit is included as part of the revenues. Other comprehensive income in 2016 related to available-for-sale shares, minus MNOK 104, also includes a reversal of previous years' impairment of MNOK 22. The value of available-for-sale shares was MNOK 35 as of 31 December 2016.

Forward exchange contracts classified as cash flow hedging:

Fair value of balances classified as cash flow hedges has increased by MNOK 1,063 [3)] before tax in the period 1 January to 31 December 2016. Change in fair value of forward exchange contracts represents an increase of MNOK 994 in the same period. The end of quarter spot prices were USD/NOK 8.61 and EUR/NOK 9.09.

Currency futures classified as cash flow hedges:

	Due in 2017		Due in 2018 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Fair value at 31.12.16 [1)]	Value based on agreed exchange rates	Fair value at 31.12.16 [1)]	Value based on agreed exchange rates	Change in fair value from 31.12.15	Fair value at 30.12.16 [1)]
EUR	345	3	-	-	345	46	3
USD	4 766	(145)	(3)	-	4 763	950	(145)
Other	(41)	(2)	-	-	(41)	(2)	(2)
Total	**5 070**	**(144)**	**(3)**	**-**	**5 067**	**994**	**(144)**
Roll-over of currency futures [2)]		(312)		(238)		35	(550)
Total	**5 070**	**(456)**	**(3)**	**(238)**	**5 067**	**1 029 [3)]**	**(694)**

[1)] Fair value is calculated as the difference between the spot price at 31 December 2016 and the forward prices on currency contracts.

[2)] Carrying amount related to rollovers of cash flow hedges.

[3)] The difference between these two the figures, i.e. MNOK 34, is ascribable to a change in the fair values of interest swap agreements, MNOK 5, and basis swaps, MNOK 29

NOTE 6 | SELF-FINANCED DEVELOPMENT

Self-financed product maintenance, research and development recognised in profit and loss for the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Product maintenance	**58**	81	**214**	262
Research and development cost	**224**	197	**793**	745
Total	**282**	278	**1 007**	1 007

Self-financed development recognised in the balance sheet for the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2016**	2015	**2016**	2015
Self-financed development	**64**	41	**262**	103

NOTE 7 | RELATED PARTIES

The Board is not aware of any changes or transactions in 2016 associated with related parties that in any significant way affects the Group's financial position and profit for the period.

NOTE 8 | IMPORTANT RISK AND UNCERTAINTY FACTORS

No new important risk and uncertainty factors have been detected during the quarter apart from the events described in the 'Annual Report and Sustainability Report 2015', note 33 'Contingent liabilities'. The Group's assessment of potential financial effects is the same as in the presentation of the financial statements for 2015.

The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS claiming serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008 have been dropped.

NOTE 9 | TAX

The tax rate as of Q4 is calculated to 15.6 per cent. The reason why the effective tax rate is lower than the nominal tax rate on income is that the share of net income from associated companies is included after tax. In addition, the exemption model is applicable when calculating taxable profit from sold shares.

NOTE 10 | DEFINITIONS

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Our definitions and explanations of these terms follow below.

EBITDA/EBITA/EBIT

KONGSBERG considers EBITDA/EBITA/EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for Earnings Before Interest, Taxes, Depreciation and Amortisation. KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles that are part of the financial statements for 2015. The same applies for EBITA and EBIT.

Net interest-bearing debt

Net interest-bearing debt is the net amount of the accounting lines 'Cash and cash equivalents', 'Long-term interest-bearing loans' and 'Short-term interest-bearing loans'.

Restructuring costs

KONGSBERG defines restructuring costs as salary and social security tax when the employment relationship is terminated (including severance pay and gift pension) in connection with workforce reductions, as well as rent and related costs or one-time payments when leases are terminated before the lease agreement expires for spaces that are vacated.

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